GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:388
ANSWERED ON:20.02.2003
CROSS SUBSIDY ON POWER
MAHBOOB ZAHEDI

Will the Minister of POWER be pleased to state:

(a) whether the Government have taken any steps to abolish cross subsidy on power;

(b) if so, whether this step of Government would usher in problems for the poor; and

(c) if so, whether the Electricity Bill 2001 would pave the way for privatisation ofgeneration, transmission and distribution facilities and lead to dismantling of the State Electricity Boards?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER(SHRIMATI JAYAWANTI MEHTA)

(a) to (c) : Distribution of electricity is the responsibility of the State Government.Retail tariff for supply of power to the various consumers is determined by the State Government or State Electricity Regulatory Commission, wherever in operation.

Section 29(2)(c) of the Electricity Regulatory Commissions (ERC) Act, 1998requires the State Commission to ensure inter alia that the tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency. Section 29(3) of the Act, provides that state commission while determining the tariff under this Act, shall not show undue preference to any consumer of electricity, but may differentiate according to the consumers load factor, power factor, total consumption of energy during any specified period or the time at which supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

The State Governments, however, have the powers to grant subsidy to any classof consumers in the tariff determined by the State Commissions. Section 29(5) of the ERC Act provides that if the State Government requires the grant of any subsidy to anyconsumer or class of consumers in the tariff determined by the State Commission, the State Government shall pay the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct.

The Electricity Bill, 2001 which has been introduced in Parliament gives flexibility to States in terms of reform model.